

CAI
MH2
- 1997
T13

Government
Publication

Taiwan

NHA 8038

**KEY
OPPORTUNITIES**

**RISK
ASSESSMENT**

**DEMOGRAPHIC
DATA**

**CULTURAL
ISSUES**

**BUSINESS
ENVIRONMENT**

HOUSING EXPORT OPPORTUNITIES SERIES

COUNTRY REPORT



CMHC – Your Housing Experts

Canadians are among the best housed people in the world, and the majority own their homes. Part of this success is due to Canada Mortgage and Housing Corporation (CMHC), the federal housing agency. Since 1946, CMHC has helped to house generations of Canadians. We've developed the standards and practices required by a growing housing industry and found new ways to help Canadians finance home purchases.

Today, more than one third of all mortgages are insured by CMHC – but there's more to CMHC than mortgage insurance. We're continually finding ways to build better, more efficient and affordable housing, and to make information about it available to you.


In fact, CMHC is Canada's most comprehensive and objective source of information on housing and exporting, whether you're a home owner, a potential buyer, a renovator or a builder, or if you have special housing needs.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

Government
Publications

Taiwan

NHA 8038



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

<https://archive.org/details/31761117679167>

078 054

HOUSING EXPORT OPPORTUNITIES SERIES

TAIWAN

One of the ways CMHC contributes to the improvement of housing and living conditions in Canada is by communicating the results of its research. Contact CMHC for a list of available information products on a variety of social, economic, environmental and technical housing-related topics.

Phone 1-800-668-2642 or visit us on the Internet at: www.cmhc-schl.gc.ca

Cette publication est aussi disponible en français sous le titre : *Taiwan*, LNH 8038.

This project was funded by Canada Mortgage and Housing Corporation (CMHC). However, the views and recommendations expressed are the personal views and recommendations of the authors and CMHC accepts no responsibility for them. Any reliance on, or action taken on, such information is at the sole risk of the user. This book is not a substitute for professional advice.

© 1997, Canada Mortgage and Housing Corporation

Printed in Canada
Produced by CMHC

TABLE OF CONTENTS

GEOGRAPHY	1
DEMOGRAPHICS	2
ECONOMIC OVERVIEW	3
POLITICAL OVERVIEW	4
TRADE POLICY	5
HOUSING SECTOR	6
Overview	6
Major Participants in the Housing Industry	7
Relevant Regulatory Systems	7
Key Housing Market Institutions	7
State of the Local Housing Market	8
State of the Local Distribution System	9
State of Local Transportation Networks	10
HOUSING MARKET ACTIVITY, NEED AND DEMAND	12
Local Technology	12
Local Housing Activities	12
Housing Need	13
Factors Affecting the Demand for Housing	14
EXPORT OPPORTUNITIES	16
Principal Foreign Competitors	16
Opportunities	16
BUSINESS ENVIRONMENT	18
Business Customs	18
Business Infrastructure	18
Distribution and Sales Channels	19
Finding a Partner	19

Pricing Products	20
Sales Service and Customer Support	20
Advertising and Trade Promotion	20
Selling to the Government	20
Regulatory Issues	20
EDC Financial Risk Assessment	21
CONTACTS	22

LIST OF TABLES

Table 1:	Holidays	18
-----------------	----------------	----

GEOGRAPHY

Taiwan is located in Eastern Asia, bordering the East China Sea, Philippine Sea, South China Sea, and Taiwan Strait, north of the Philippines, off the southeastern coast of China. The total area is 35,980 km². The land area is 32,260 km². The climate is tropical, marine; there is a rainy season during southwest monsoon, from June to August;

and cloudiness is persistent and extensive all year. The terrain in the eastern two thirds of the country is mostly rugged mountains, while it is flat to gently rolling plains in the west. Natural resources include small deposits of coal, natural gas, limestone, marble, and asbestos.



DEMOGRAPHICS

The population of Taiwan reached 21.5 million in 1995. Twenty-four percent of the population is under 14 years old, 68 percent is between 15 to 64 years; 8 percent is 65 years and over. The population growth rate was 0.93 percent in 1995. The birth rate was 1.533 births per 100 population. The death rate was .571 deaths per 1,000 population. The net migration rate was minus 0.37 migrants per 1,000 population. The

nationality is Chinese. Ethnic divisions include Taiwanese (84 percent), mainland Chinese (14 percent), and aboriginal (2 percent). Religions include a mixture of Buddhist, Confucian, and Taoist (93 percent), Christian (4.5 percent), and other (2.5 percent). Languages include Mandarin Chinese (official), Taiwanese (Min), and Hakka dialects.

ECONOMIC OVERVIEW

Over the past four decades, Taiwan's economy has been one of the star performers in Asia, and prospects for its future are bright.

Now a developed economy, Taiwan's real GDP grew 6.5 percent in 1994 and was expected to grow nearly 5.8 percent in 1995. These real GDP growth rates for 1994 and 1995 indicate that the island's ambition—first expressed about ten years ago—to transform itself from an export platform to a high tech production centre is proceeding quickly. In the summer of 1994, the percentage of Taiwan's exports, accounted for by high tech and capital-intensive products, for the first time exceeded labour-intensive exports.

As in other developed economies, the service sector is the sector growing most rapidly. Services accounted for 47 percent of GDP in 1986, 59 percent in 1994 and over 60 percent in the first quarter of 1995. Many new private banks, insurance companies, and securities firms have emerged.

Although the industrial sector has shrunk in relative terms, capital- and technology-intensive industries have expanded dramatically. As of the first quarter of 1995, such industries account for 65 percent of total manufacturing (in 1986 they

accounted for only 48 percent). Since 1986, the production of petrochemicals, basic metals, and machinery has doubled. The production of electronic components has more than tripled. In fact, the production of personal computers and related peripherals has grown so rapidly that Taiwan is now the world's leading supplier of scanners, mice, motherboards and modems and now accounts for one quarter of the world market for 8 inch silicon wafers.

By contrast, conventional, labour-intensive industries declined and emigrated offshore. Output of such products as footwear, garments, telephones, radios, sporting goods, umbrellas, and toys dropped 50 to 90 percent from 1986 to 1994 and further fell 10 to 25 percent in the first quarter of 1995. This decline of labour-intensive industries has occurred fairly smoothly without unemployment or social disturbances.

Economic liberalization has made much of this transition possible and should also prove important for the island's future well-being. The Taiwan authorities accelerated the pace of reform in order to pave the way to accede to the World Trade Organization (WTO). Taiwan's goal was to accede to the WTO by the end of 1995.

POLITICAL OVERVIEW

Over the past few years, Taiwan has made significant progress in its transition from a single-party, authoritarian policy to a democratic, multi-party political system. Martial law, which had been in force since the 1940s, was lifted in 1987. Taiwan's first democratically elected legislature was chosen in December 1992. The democratization process continued with the first direct elections of the Mayors of Taiwan's two largest cities (Taipei and Kaohsiung) and the Governor of Taiwan Province in December 1994. These officials were previously appointed by the central authorities.

Taiwan's constitutional system divides the government into five branches or Yuans. The five branches are the Executive Yuan, the Legislative Yuan, the Judicial Yuan, the Control Yuan and the Examination Yuan. At the top of this structure is the President, who has been chosen by the National Assembly. Taiwan held its first popular election for President in March 1996.

Now that martial law has been lifted, the main opposition party is the Democratic Progressive Party (DPP). The Party's most salient policy difference with the KMT has been the controversial issue of Taiwan independence. As the DPP has matured and gained a significant role in the LY, where it won 51 of 161 seats in the 1992 election, it has modified its demand for immediate Taiwan independence and now calls for the people to decide Taiwan's future through a plebiscite. The DPP has also staked out generally populist positions of concern for the environment and for working people.

The KMT, which brought its political power and two million people over from Mainland China in 1949, was historically associated with the Mainlanders (i.e., people who fled to Taiwan with

the KMT and the descendants of those people). The DPP has sought to identify itself with the Taiwanese (ethnic Chinese who immigrated to Taiwan during the past 300 years, mostly from Fujian Province). Yet a majority of the officials and members in the KMT, including the President, are now ethnic Taiwanese. A new opposition party, the Chinese New Party consisting mainly of second generation "mainlanders" who have grown up in Taiwan, broke off from the KMT in 1993. It currently holds seven LY seats. Although ethnic differences are still significant politically, their importance is declining as younger generations pay less attention to this question.

The defining characteristic of Taiwan's international relationships is its lack of diplomatic ties with most nations of the world. The ruling authorities on Taiwan call their administration the "Republic of China," and for many years claimed to be the legitimate government of all China. Foreign nations wishing to establish diplomatic relations with a government of China had two choices: to recognize the "Republic of China" or to recognize the People's Republic of China (PRC). Most chose to recognize the PRC.

The Taiwan authorities several years ago backed away from their stance of insisting that they are the legitimate rulers of all of China. While still admitting that Taiwan is part of China, they now seek recognition as one of two "legitimate political entities" in China, the other being the PRC. Under this policy, the Taiwan authorities are seeking to join various international organizations, including the United Nations. Taiwan has been able to join the Asia-Pacific Cooperation (APEC) dialogue on "economy" and is applying to join the World Trade Organization (WTO) as a "customs territory."

TRADE POLICY

Through 40 years of hard work and sound economic management, the people of Taiwan have built the island into the world's 19th largest economy. Taiwan is an economic powerhouse with the world's second largest foreign exchange reserves and over \$175 billion in two-way trade. The economy continues to expand at almost 7 percent per year, with full employment and low inflation. Its 21 million people enjoy a per capita GDP of US\$11,600.

Taiwan is an island without appreciable natural resources, and has recognized that it will have to depend on trade to prosper. In this context it is striving to become a trade and communications hub for the Pacific Rim. Not surprisingly, imports and exports play a large role in Taiwan's economy. Exports constitute 36 percent of the GNP; imports constitute 33 percent according to statistics from 1994.

Taiwan's high level of imports—US\$85.4 billion in 1994—reflects its status as a resource-poor trading entity. The island imports nearly all of its energy needs, most of the raw materials needed to maintain industrial production, and a diversity of manufactured and agricultural goods. Taiwan has a

tradition of welcoming foreign investment. Its educated workforce, advanced infrastructure, strategic location, and generally pro-business attitudes make Taiwan an excellent—if no longer low-cost—place to invest.

The engine of growth is proving to be the US\$250-billion National Infrastructure Development Plan. There are currently over 40 Canadian companies pursuing close to 60 projects worth over \$6 billion. Due to the massive scale of this program, there are abundant market opportunities within the infrastructure sector (building materials, construction, engineering and consulting industries).

Canada does not have diplomatic relations with Taiwan. With the support of the Canadian Government, the Canadian Chamber of Commerce opened the Canadian Trade Office in Taipei in 1986 to encourage and support increased two-way trade, investment, academic and cultural links between Taiwan and Canada.

Two-way trade between Canada and Taiwan totalled \$3.9 billion in 1994, with Canadian exports reaching \$1.2 billion and imports from Taiwan \$2.7 billion.

HOUSING SECTOR

Overview

Government Structure and Role

The housing market boom from 1986 to the early 1990s has created an affordability problem. As a result, there is a government presence in both the financing and construction of housing. In addition, there are agencies that control building standards and land use, as well as 20 research institutes covering among others, building materials.

In discussing the organization and structure of the housing industry in Taiwan, it is necessary to recall that the present government came to Taiwan in 1949. In establishing a hegemony on the island, the mainlanders had to be careful not to raise too much opposition. Consequently, the imposition of various governmental controls were not pursued with the vigour that may have been present if not for this historic context.

In the construction sector, this had a direct impact, some of which survives to this day: a rather laissez-faire approach to the enforcement of zoning and construction regulations. As a result, although local levels of government have nominally rather little power in the development field, this state of affairs is balanced through informal mechanisms of control through influences at the national level. In this way, the political processes and the development process become rather closely intertwined, with the national government holding formal control over development, and local interests holding informal control. One facet of this is the proliferation of illegal factories and buildings.

Legal Restrictions

For some time, Taiwan sacrificed environmental quality for economic progress. However, there has been a shift in focus towards environmental protection, with a rise in awareness of the importance of high environmental standards. Consequently, stricter controls on the development process have been instituted. This, coupled with a concern for, and a decision to protect, agricultural land, has contributed to rising urban and urbanizing land prices. As a consequence, an

“affordability gap” developed, and parts of the population were forced out of the housing market.

Economic Structure

The growth in the Taiwanese economy fully validates its inclusion in the group of “Small Dragons” in the Pacific Rim Region. From 1978 to 1984, the economy grew by an annual 8 percent. This continues today, with the somewhat lower but still enviable average annual growth of 6.6 percent over the past 3 years. Now that land prices have stabilized, inflation is a modest 3.5 percent, and unemployment almost non-existent (1.6 percent for 1994, 1995, and over 2 percent in 1996). Government spending, once a dominant feature of the economy, in 1996 is estimated to constitute only 23 percent of all economic activity.

The GNP of Taiwan in 1994 was estimated at US\$250 trillion, with the building materials market comprising US\$15 billion of this total. It is expected to grow at an annual rate of between 7 percent and 11 percent, according to the Canadian Trade Office, Taipei. The housing sector comprised 11 percent of the GNP, with an estimated outlay of US\$175 million.

In the building materials sector, this percentage is somewhat lower, (25 percent) but is growing at a greater rate. Canadian exports of building materials to Taiwan have climbed by 227 percent from 1990 through 1994.

Taiwan’s economy has performed well over the past decades, and this situation shows no signs of changing. With this economic progress, incomes and individual wealth have increased. Annual per capita output is at US\$15,000 as of 1996. Savings constitute 28.6 percent of the GDP. While there is an enormous pool of savings available for house purchases, this has to be tempered by the fact that real estate values have shot up over the past decade, and that the banking system is not well-equipped to handle financing.

Housing remains a priority for the Taiwanese Government, particularly in light of the recent rise in housing prices. This can be noted in the frequent references to housing in the present Six Year Plan. The government’s involvement in

housing is in the form of improving services to urbanizing land, particularly transportation services in and around major cities, developing new towns, building sizeable housing projects, and assisting with financing.

Trends and Directions

In discussing the trends and directions, it is necessary to assess the risks associated with entering the Taiwanese market, from a political perspective. Although initially a single party state, it is rapidly becoming a democracy. Martial law was lifted in 1987, the first multi-party elections were held in 1992, and mayors were first elected for Taipei and Kaohsiung in 1994.

There is always some degree of tension between Taiwan and the Peoples Republic of China. While it is doubtful that there will be active hostilities between the two, and as their economies continue to integrate, it is possible that there will be some sort of reconciliation in the future. Overall, the political situation can be rated as being stable.

This is reflected in the assessment offered by the Export Development Corporation (EDC), which rate the short, medium and long-term risk associated with Taiwan as being low.

Several initiatives offer an indication of the trends and directions. The Urban Development and Housing category of expenditures allow for US\$20 billion to be spent over the last three years of the Plan (1995-97). Specific projects include:

- a US\$1.5 billion public housing project under the Department of Public Housing, involving the construction of 11,000 units;
- 66,000 units to be constructed under the aegis of the Construction and Planning Administration;
- the provision of low-interest loans for construction and renovation of 12,000 units through the Council of Labour Affairs; and,
- the development of two new towns (Tanhai New Town and Kaohsiung New Town, each with a projected population of 300,000 persons.

According to the U.S. Department of Commerce, during the present Six Year Plan, 900,000 public housing units will be built.

Major Participants in the Housing Industry

Government

Government involvement in the housing sector is related to its concern about the availability of affordable housing, and its commitment to assist in bringing this type of housing to the market. This is reflected in the prominent role given to housing in the present Six Year Plan. In addition, there is a growing concern about the environment, which is reflected in many aspects of the control of housing. The government also mandates standards for materials used in housing construction.

Private Sector

The private sector has a strong role in the housing market in Taiwan. It is responsible for the provision of funds, construction of housing, and marketing through real estate agents.

Other agencies in the housing industry include research institutes and educational institutions.

Relevant Regulatory Systems

Municipal utility services are virtually universal: electricity, water, sanitary facilities, telephone. Gas service is also very common. Although the standards are good, due again to the growth of the past decades, some strains on the various systems are beginning to show.

Taiwanese homes are well-served by their infrastructure. However, due to the recent economic growth, there are signs that the municipal infrastructure is in many cases overloaded. This is particularly true in regards to the road system as well as other transportation systems. The electric grid, the supply of water, and coping with solid waste are all at capacity limits. In response, the Taiwanese government has embarked on an unprecedented program of infrastructure construction, in an attempt to alleviate the situation.

Key Housing Market Institutions

There are several government agencies and departments involved in various aspects of the housing industry. These include:

- The Council of Labour Affairs—provides mortgage funds for first mortgages for first-time home buyers.

- Construction and Planning Administration, Ministry of the Interior—undertakes the Tanhai and Kaohsiung New Town Projects, as well as a six-year project to provide 66,000 new housing units for low- and middle-income families.
- Department of Public Housing, Kaohsiung City Government—provides public housing as well as significant housing for civil servants.

The Building Research Institute has the mandate to investigate and make recommendations regarding building design, construction methods, and building materials. This is the agency that will approve or disapprove of new materials imported into Taiwan.

The BRI is under the Ministry of the Interior, and can be reached at the following address:

Building Research Institute
14th floor, 333 Tun Hwa S. Road, Sec 2
Taipei
Tel.: 736-2389 Fax: 736-8836

The National Bureau of Standards is responsible for national standards, including those that govern the construction industry. Cited as being priority in “The Construction & Building Materials Market in Taiwan” were the areas of fire insulation, incombustible wall construction and flammable wall coverings such as paint.

The NBS falls under the aegis of the Ministry of Economic Affairs, and can be reached at:

National Bureau of Standards
3rd floor, 185 Hsinhao Road, Sec. 2
Taipei
Tel.: 738-0007 Fax: 735-2656

The banks are the principal sources of mortgages for housing. The Central Bank of China has traditionally provided significant funds for lending to house buyers, through commercial banks for allocations to home buyers. Typically these mortgages are at a significantly lower interest rate than conventional first mortgages; presently, the rates are 7.95 percent, as opposed to the 9.5 percent rate on the open market.

Other participants in the housing market are the various trade associations. They constitute networking nodes, and can be a good starting point in the assessment of the Taiwanese market. These

associations also frequently organize trade fairs, which are an excellent means of obtaining an overview of the market. The Taipei Building Materials trade fair includes many foreign exhibitors, such as U.S. producers of windows, doors, flooring, paints and plumbing supplies. However, few Canadian manufacturers participate.

State of the Local Housing Market

The housing market underwent a spectacular boom in the late 1980s, with prices in 1988 in particular rising 100 percent. In the city of Taipei, prices between 1986-89 increased by 250 percent. As a result, apartment prices in Taipei are among the highest in the world, and there is a growing impression among the white collar workers that they will never be able to afford their own house or apartment. As a result in the late 1980s, construction of new units fell sharply.

While this situation has corrected itself in subsequent years, in 1996 the real estate industry took a downturn and the activity level was 45 percent below the previous year's. In addition, there are hundreds of thousands of vacant apartments that were built to satisfy speculators in the 1980s. As a result, the supply presently exceeds demand.

One consequence is that the importance of renovations has proportionately grown. Another is that the public sector has become a major supplier of housing, with some 900,000 units planned as part of the present Six Year Plan.

At the same time, there has been an oversupply in the office market and growing difficulties in building factories. As a result, the residential market is growing in relative importance. There is presently a surplus of housing available.

Two economic trends have had an impact on the Taiwanese housing market over the past few years. One is the continuing migration of manufacturing industry offshore. This is due to increasing wages and tightening environmental constraints on new construction. This loss of manufacturing jobs has increased the unemployment rate from the traditional 1.6 percent to well above 2 percent at the mid-point of 1996. The other trend is the dramatic run-up in land value.

As a result, the housing market is depressed at present. In the first half of 1996, overall

construction activity was 45 percent below that of last year.

Given the buoyancy of the Taiwanese market, it can be predicted with confidence that the situation will return to normal within the next two years. Starts are well below the level of the mid-1980s.

Renovation activity is seen as one of the more promising areas of building materials sales. Although escalating land prices will impact negatively on the affordability of new construction, it has no impact on renovation activity. Rising economic wealth has left a sizeable portion of the populace with disposable savings to invest in housing, and a good portion of this will be used to upgrade present living quarters.

State of the Local Distribution System

Although the domestic economy is very healthy in Taiwan, the market is fractured. There are an estimated 1,000,000 enterprises, 100,000 legal factories and a further estimated 200,000 illegal ones. The distribution system reflects this with its complexities and myriad of players.

In identifying the point of purchase of building materials, there are some differences between Taiwan and Canada. For one, the choke of materials tends not to reside with the architect or the contractor, but often shifts to the subcontractor, who makes the choke based to a great extent on price. Given the typically close relationship between general contractors and their subcontractors, it is therefore necessary to convince the subcontractor, whose judgement the general contractor will depend on. Marketing can be a complex process requiring contact with a number of smaller buyers rather than one or two contractors or architects.

Another issue is the sale of apartments, the dominant housing form in Taiwan. As in many other Asian countries, the buyers must furnish newly purchased apartments. This is typically an extensive process, the furniture and finishing work sometimes exceeding the cost of the unit itself. In finishing a unit, the owner is responsible for wall and floor finishes, bathroom fixtures, kitchen cupboards, and closets. In this situation, the point

of sale would be interior renovators or designers, or building supply centres.

As a consequence of the structure of the distribution system, it is considered advisable to associate with a local company to facilitate distribution. Either an agent or a distributor are possible, but the key is to find a partner with a sincere interest in promoting the product, as well as the resources to do it successfully. Points of assessment include experience and reputation, financial strength, access to the market, and prior experience with off-shore partners.

Nevertheless, distribution remains an issue of concern for importing companies in Taiwan. Problems include poorer margins of profits for the many middlemen typically involved, delivery problems associated with offshore products, lack of capability in the Chinese language, and a tendency towards reluctance to do business with a foreigner who may not share the Chinese attitudes towards personal connections (gangs).

Alternative approaches include setting up points of sales in Taiwan, and partnering a representative office with local enterprises or individuals. In making such arrangements, Taiwanese trade associations can be very helpful.

Some of these include:

- Bankers Association of the R.C.C. 8F, 46 Kuanchien Rd., Taipei, Taiwan, R.O.C. Tel.: (02) 361-6019; Fax: (02) 383-1783
- Chinese National Association of General Contractors 10F, 21 Chang-an E. Rd., Sec. 1, Taipei, Taiwan, R.O.C. Tel.: (02) 581-8014; Fax: (02) 581-0091
- Taipei Interior Decoration Association 8F, 286 Fuhsing S. Rd., Sec. 2, Taipei, Taiwan, R.O.C. Tel.: (02) 735-4603; Fax: (02) 735-5704
- Taipei Lumber Trade Association 3F-4, 486 Fuhsing N. Rd., Taipei, Taiwan, R.O.C. Tel.: (02) 503-4581; Fax: (02) 503-4581
- Taiwan Brick Engineering Manufacturers Association 5F, 1170 Wanshou Rd., Sec. 2, Kweishan Hsiang, Taoyuan Hsien, Taiwan, R.O.C. Tel.: (03) 350-2237; Fax: (03) 350-2239

- Taiwan Cement Manufacturers' Association 8F-5, 390 Fuhsing S. Rd., Sec. 1, Taipei, Taiwan, R.O.C. Tel.: (02) 701-5756; Fax: (02) 706-9951
- Taiwan Cement Products Association 62-1 Kaifeng St., Sec. 2, Taipei, Taiwan, R.O.C. Tel.: (02) 331-0687, (02) 361-2206; Fax: (02) 389-6351
- Taiwan Importers & Exporters Association 14F, 2 Fuhsing N. Rd., Taipei, Taiwan, R.O.C. Tel.: (02) 773-1155; Fax: (02) 773-1159
- Taiwan Paint Industry Association 7F-1, 8, Alley 1, Lane 75, Chunghwa Rd., Sec. 2, Taipei, Taiwan, R.O.C. Tel.: (02) 331-1827; Fax: (02) 375-4258
- Taiwan Plywood Manufacturers & Exporters Association 9F, 82 Chungshan N. Rd., Sec. 1, Taipei, Taiwan, R.O.C. Tel.: (02) 521-2551, (02) 521-2548; Fax: (02) 561-6290
- Taiwan Provincial Association of Lumber Industries, Rm. 400, 4F, 201-2 Tunhwa N. Rd., Taipei, Taiwan, R.O.C. Tel.: (02) 712-1732; Fax: (02) 717-5286
- Taiwan Ready-Mixed Concrete Industry Association 5F-6, 263 Hsinyi Rd., Sec. 4, Taipei, Taiwan, R.O.C. Tel.: (02) 703-8286; Fax: (02) 703-8287
- Taiwan Stone Product Industries Association, 124 Minchuan Rd., Hualien, Taiwan, R.O.C. Tel.: (038) 221-131; Fax: (038) 227-825
- Taiwan Union Building Materials Association, Rm. 4, 7F, 374 Pateh Rd., Sec. 2, Taipei, Taiwan, R.O.C. Tel.: (02) 751-8834, (02) 759-9633; Fax: (02) 777-2101

State of Local Transportation Networks

There are about 4,600 km of narrow gage rail line in Taiwan, of which 1,075 km is used for common carrier service, and the balance is dedicated to industrial use. As is typical with Taiwanese utilities, this system has been overloaded because of the continuing economic development that the country has enjoyed. The present Six Year Plan

therefore has several significant railway construction and improvement projects. These include a high speed railway, at a cost of US\$7 billion. In light of the above, the rail transportation system can be considered good, and keeping up with the increasing demand. Note that few imported goods are transported by rail.

About 95 percent of Taiwan's roads are paved. Although the transportation infrastructure is good, recent economic growth has been so strong that there has been an increase in the acquisition of personal automobiles (ownership tripled in the decade from 1985 to 1994) and there is a growing inadequacy. Consequently, there are massive infrastructure projects underway. These include a new North-South freeway, new freeways in the northern area around Taipei, and several new East-West freeways across the island.

Since Taiwan's economy is heavily oriented towards offshore trade, it is understandable that the port facilities are adequate. There are 5 international ports, of which the 3 largest ones—and by far the most significant in terms of foreign trade—handle the bulk of imports. As with other transportation systems, the ports are overloaded. The port of Kaohsiung, third largest in the world, has entry waiting times of up to 7 hours. It handles 60 percent of the county's freight. Keelung is the second largest harbour on the island, and Taichung harbour is the third busiest.

In general, the Taiwanese transportation infrastructure is extensive. There are 2 international airports, 14 domestic airports, 5 international harbours, an extensive network of paved highways, and complete island railway system.

The efficiency of operations of the Taiwanese transportation systems is marred by overloading. Although the facilities in general are very good, the continuing "economic miracle" continues to impose increasing demands. As with car ownership, air traffic has tripled over the past decade. Underpinning this is the increase in demand on these systems by the products of economic growth. Between 1994-96, exports have increased by an annual average of 15 percent; imports by 17 percent.

In response to this, Taiwan has embarked on an unprecedented infrastructure construction and improvement program, costing tens of billions of

dollars. As these come on line, it is projected that congestion problems will ease.

HOUSING MARKET ACTIVITY, NEED AND DEMAND

Local Technology

Typical Taiwanese housing is in the form of a unit in an apartment building, although there is also a small market for villas and single-home family units. In both cases, there is a preference for concrete and brick construction materials. Wood-based products tend to be imported.

Typical housing forms include low, medium and high-rise units. Low-rise housing is reserved for the wealthy, either as an urban home, or as a seasonal villa. Medium height housing was the preponderant form between 1950 and the explosion in land values in the 1980s. As the cost of land soared recently, more and more highrise residential towers have been built.

The bulk of new mass housing is on the fringes of main cities. These come on stream as services—principally the new subway lines—are extended to new development areas and new towns, and as the existing road system is improved and congestion reduced.

Renovations activity is concentrated in existing mature residential areas. Seasonal villa housing is typically found in the rural areas. Traditionally, concrete and brick have been the predominant structural materials and this is not expected to change significantly. The Taiwanese housing industry has been one of the largest users in the world of ceramic materials for finishing purposes. However, with the increase in individual wealth, more use of wood products is being observed.

Local Housing Activities

New construction is presently on a decline, but this condition will be temporary. The government has implemented several measures to spur the housing construction industry; this, coupled with the sheer power of the Taiwanese economy, ensure that the present situation is temporary.

Renovation activity is expected to continue, as it is not influenced by land prices. Note that when a condominium is purchased, the buyer is

responsible for finishing it. Renovation simply means repeating the process undergone at the point of purchase, so when improving financial conditions enable a family to upgrade their residence through renovation, the process should be a familiar one.

In the field of housing construction, there are two major projects presently underway, both under the aegis of the present Six Year Plan:

- The Tanhai New Town Project: This project is situated in Taipei County, approximately 16 km from the centre of Taipei. It occupies an area of 1,765 hectares, and will ultimately have a population of 300,000. This project began in 1992, and will continue until 2016.
- The Kaohsiung New Town Project: Situated between Kaohsiung County and Kaohsiung City, the ultimate population will be 300,000. The schedule is the same as for Tanhai New Town.

With respect to the availability of local labour, there are a couple of factors to take into consideration. In general, there is a shortage of unskilled labour—to the extent that significant imports of foreign workers are necessary.

At present, close to 200,000 workers fall into this category. Specifically, in the context of lumber and wood building materials, there is a lack of skilled workers familiar with technologies and tools.

As a consequence, it can be expected that it will be necessary not only to recruit aggressively and pay well, but to establish a generous package of fringe benefits, including a bonus system.

With respect to building materials, this year, imports are expected to constitute 25 percent of the total market. In various sub-sectors, this is even higher; for example, in the lumber sector, imports in 1992 constituted two thirds of the total market.

There are several developers with annual revenues in excess of \$100 million. The major ones (Pacific Construction, Cathay Construction, Tuntex Distinct) often are vertically integrated with a

construction arm, ownership, and insurance. For example, San Ching Engineering is the construction arm of Pacific Construction; Tuntex Construction is closely related to the developer, Tuntex Distinct. Such large conglomerates as these also can be active on the international market (in Asia as well as North America), offering a possible entry point for Canadian professional companies, although typically, the Japanese have become strong in this area.

Below these larger conglomerates, there are smaller developers and contractors. Also significant from the perspective of materials sales are companies involved in renovation or finishing and furnishing new apartments. These include renovators, interior designers and building supply centres. In all of these, the need for a local agent or partner is essential.

There is a degree of autonomy in the relationship between the contractor and his subcontractors in the Taiwanese construction industry that is unlike the North American situation. In Taiwan, the sub-trades have much greater freedom to choose the building materials that they use in their construction work. This allows them greater flexibility to bid competitively on projects.

Given this, it is not surprising that the net effect is that there is a stronger relationship of trust between the contractor and subcontractors. After all, they have a strong voice in choosing the materials for the building. One ramification is that the point of sales often will be a subcontractor or supplier, presenting a more complicated marketing effort.

The representation of trades in the Taiwanese building industry reflects its requirements, and is adequate. That is to say, since wood-frame construction is rare, associated trades such as framers and carpenters are not well represented.

The quality of construction is good, and improving. This is due to the increasing wealth of the Taiwanese people. As financial wealth increases, the expectations of higher quality, more luxurious accommodations also rise. This is reflected not only in better quality new construction activity, but also in the growing amount of renovation being undertaken.

Some of the strengths of the Taiwanese housing construction industry include:

- large, competent builders;
- familiarity with ceramic products—one of the world's largest users; and
- skilled work force.

Some of the weaknesses of the Taiwanese housing construction industry include:

- shortage of unskilled labour;
- lack of wood-based products;
- high cost of land;
- shortage of mortgage funds;
- need to adopt energy conserving technologies and materials in light of energy costs;
- instances of a less than stringent enforcement of codes and regulations; and
- relatively high labour costs.

Housing Need

The three greatest needs in the Taiwanese housing industry are:

- greater land availability, with lower prices;
- unskilled labour; and
- wood-based products: plywood, fibreboard, particle board, cabinets, flooring.

A number of trends can be projected as having impacts on the building materials market:

- The labour shortage is having a positive impact on the use of drywall, as well as on the use of aerated lightweight concrete, prefabricated housing materials in general, and on the use of more sophisticated project management.
- Increasing land costs have the impacts on forcing residential construction, increasing the importance of lightweight construction techniques (drywall, lightweight aerated concrete, exterior curtain wall components and systems).
- The sale of undecorated condominiums and renovation activity results in a market for apartment finishing and furnishing materials:

kitchen cabinets, bathroom facilities, floor coverings (hardwood, flooring, carpeting).

- Increased energy costs have created a demand for products and services associated with energy conservation: efficient windows, energy auditing services, insulation panels.

Factors Affecting the Demand for Housing

Economy

Although 1996 was considered a difficult year, the Taiwanese economy was expected to grow at a rate in the range of 6 percent.

Growth in Housing Starts

Housing starts in 1996 slowed compared to the previous year. Overall activity in the construction sector was down 45 percent, according to government statistics. Nevertheless, as housing is a priority for the government, there are measures being instituted which have as an objective the stimulation of home construction.

Income Levels

Income levels in Taiwan are high—over US\$15,000 per year as of the first half of 1996. This wealth can be seen in individual spending patterns—food and beverages constitute 32 percent of individual spending, and rent takes up another 31 percent.

Although there are very rich individuals in Taiwan, the wealth is being spread around, and there is a large and growing middle class. This can be expected by the proliferation of the service industries—up to around 60 percent of the economy in 1995—and by the profusion of small industry that characterize the island's economy.

Savings are nearing 30 percent of the GNP, and average household savings are estimated to be in the area of US\$150,000.

Employment Levels

Employment levels have been very stable in the past decade, with unemployment at below 2 percent. However, the rate has risen over 2 percent recently as a result of slowing down of exports from the manufacturing sector as

production moves offshore and is replaced by service industries.

Affordability

Affordability has been the greatest obstacle to acquiring housing by the Taiwanese over the past decade. The goal of home ownership is fading for half the population, as they feel that it is becoming financially unattainable. As a result the government is introducing measures to mitigate the situation. This includes setting aside funds for mortgages, constructing low-cost housing, and exhorting the commercial banks to lend more low-interest rate mortgage money. For example, in June of 1996, seven major banks, in response to exhortations from the government, made NT\$10.0B. (US\$360 million) available for low-interest first mortgages for first-time home buyers.

Trade Levels

After a period of isolation resulting from general international recognition of the Peoples Republic of China (PRC), Taiwan is once again moving into international prominence. In part, this is due to the proliferation of commercial relations between Taiwan and the PRC. In connection with this striving for international recognition, Taiwan is attempting to join the WTO.

In discussing trade trends in Taiwan, it is instructive to keep in mind that there are very few natural resources; the principal resource, forests, is dwindling. Consequently, there is recognition that the future will hinge on trade and international communications.

Trade continues to grow, both in absolute terms, and as a percentage of the GNP. One concrete gesture in recognition of the importance of trade and communications is the official policy to make Taiwan the Asia Pacific Business Operations Centre.

This ambitious plan will make Taiwan a hub for sea transportation, air transportation, financing, telecommunications, media and manufacturing. In light of this, there is even a growing emphasis on trade which can be expected to continue to develop.

Family Formation Rates

There is a demographic bulge moving into prime house buying ages. The 24-35 year-old segment constituted 12.45 percent of the total population in

1975, rising to 16.6 percent in 1992. As this group moves through its most productive years, it will be forming families and acquiring homes, creating a demand for housing.

Demographic Factors

The population of Taiwan is stable, with an estimated annual growth rate of 0.93 percent in 1995. The total population reached 21 million inhabitants in 1995. Consequently there is little significant growth impetus for the local housing market from natural population growth.

Cultural Factors

As a rule, home ownership is seen as a good thing in the Chinese value system. It indicates financial success and stability, as well as an acceptance of the responsibilities towards other generations—a home both for children and parents. Home ownership is a virtually universal objective of Taiwanese families.

As in other Chinese countries, personal connections (Gangs) is the basis of almost all business. Therefore building up gradual personal relations is of paramount importance.

Although in some ways, Taiwanese business practice sees some spectacular risk-taking, on the

whole it is a conservative milieu. Financing tends to be of lesser importance than in North America, with cash being used more often.

The Chinese are to some extent ethnocentric—for example, the Chinese word for a non-Chinese person is Waiguoren; its literal meaning is foreigner. To a Chinese person, the population of Canada would have two types of inhabitants: foreigners and Chinese people. Consequently, it is sometimes useful to have a person of Chinese extraction in the company involved with dealings with the Taiwanese.

Local Biases

There are local biases related to housing. The Taiwanese favour products that reflect or can be adapted to their way of life. For example, outdoor gas barbecues might not be a big seller. Having said this, there are a couple of biases that should be kept in mind:

- The Taiwanese are extremely price sensitive; this is not a reflection of a lack of money as much as a lifestyle which reflects an abhorrence of waste.
- With the above in mind, there is a cachet to foreign products, and they are perceived as being “better”.

EXPORT OPPORTUNITIES

Principal Foreign Competitors

The Japanese are a dominant factor in the Taiwanese market due to ties established during decades of occupation in the first half of this century. By virtue of its political support for the regime, the U.S. also has a strong presence. According to statistics cited in the CMHC report on world housing markets, Canadian exports to Taiwan were US\$74 million in 1993. This constituted 4 percent of the total market of imported building materials.

The Japanese are active in general construction, engineering, as well as general building materials. The Americans export engineering services, architectural services, as well as building materials. Among these are drywall lumber, hollow-core doors, and insulating materials. The Germans provide engineering services and construction. The French provide engineering services and construction as well. The Australians provide materials such as insulation, lightweight concrete block, and doors.

The Taiwanese recognize themselves as a trading nation, and are positioning themselves as the Asia Pacific Business Operations Centre. In light of this, trade is extensive, growing, and growth is expected to continue.

Opportunities

There are three areas that offer excellent opportunities for Canadian companies:

- Wood-based products. Although Taiwan has forests, they are not extensive, and as they are depleted, pressure is mounting for their protection.
- Labour-saving materials. As wages rise in Taiwan, there is a substitution effect that is taking place. Consequently, building materials or techniques that save on manpower will find acceptance.
- Consulting activities—particularly as they relate to town planning and energy conservation (Auditing).

There are a number of areas and products which hold promise for potential Canadian exporters of goods and services. Some of these include:

- Kitchen cabinets. Canadian manufacturers have recently become very competitive in this field, and the prime Canadian manufacturer of luxury quality kitchen cabinets is already represented in Taiwan with a sales office. The more economical lines produced by other manufacturers can approach this market with realistic hopes of success, particularly knock-down lines of various manufacture.
- Doors are another wood-based product of promise, particularly solid core doors with good fire ratings.
- Canadian winter conditions dictate that our windows are energy conserving. With rising energy costs, and the growing use of residential air conditioning, this is another product that will have good potential in Taiwan. As noted elsewhere, window manufacturers from the U.S., as well as from Germany and Korea, have been shown at local trade fairs.
- Canadian hardwood floors are of an uncontest quality, and the floor finishing of choice. However, they must be cost-competitive.

Energy auditing is becoming accepted in Asia as a good way of decreasing energy costs, and with Canadian experience in this field, the export of this type of service is promising.

The move to drywall will be accompanied by the spreading use of clothes closets, as opposed to wardrobes. This, in turn, will create a demand for closet doors and shelving, areas in which Canadian companies are very competitive, with exports recently exhibiting significant growth.

The North American model of building supply centres is fast becoming a world model. This constitutes an opportunity for Canadian chains to either act as consultants to Taiwanese retail operations, or to become joint venture partners.

The increasing cost of labour is having a substitution effect, whereby higher materials costs

are now acceptable if they are more than offset by labour costs. This has the effect of creating new markets for some higher-cost materials. For example, the traditional wall construction method consists of bricks, covered by a coat of mortar. With rising labour costs, it is becoming more economical to use drywall, a trend supported by an increasing concern for fireproofing standards. The drywall is being used with a metal structural system. A macro picture of this substitution effect can be seen in the projections cited in the report on the building materials market commissioned by the Canadian Trade Office in Taipei (The Construction & Building Materials Market in Taiwan; 1993), which projects the growth in the residential construction market between 1993-2000 at an annual rate of 5.5 percent, while for the two-year period from 1993 to 1995, the building materials market is expected to grow between 7 and 11 percent annually. Note that the

total market in 1991 was estimated at US\$15 billion.

The lumber sector is the most promising area for exports. Traditionally this market has been served by Taiwanese products, and from South East Asia (Malaysia and Indonesia; more recently China and Vietnam). It is expected that these sources may become more constricted due to bans on exporting raw lumber and diminishing sources. With respect to the local suppliers, ecological concerns and scarcities are reducing the importance of this source. Five categories of promise include hardwood veneers, hardwood lumber, softwood lumber, plywood and various types of particle boards.

Insulating materials for construction showing promise include: particle board, fibreboard, and various mineral-based insulating (heat and acoustic) articles.

BUSINESS ENVIRONMENT

Business Customs

Formal business introductions in Taiwan are not complete without an exchange of business cards. It is advisable for foreign visitors to have their cards printed in both English and Chinese.

There are numerous printers in Taiwan that specialize in printing these indispensable business aids. They offer accurate, low-cost service, with card orders normally being filled within only a few days. Since cards are required on nearly every business occasion, it is a good idea to carry sizeable numbers of them at all times.

The New Taiwan dollar (NTD) is the official currency. It is circulated in one-, five-, ten-, and fifty-dollar coins, and fifty-, one-hundred, five-hundred, and one-thousand dollar notes.

Since the relaxation of foreign currency controls in 1987, exchange between foreign currency and the NTD has become relatively free although exchange is still limited to authorized banks and dealers.

Foreign currency can be exchanged at the airport, as well as at authorities-designated banks, hotels, and shops. In addition, internationally recognized credit cards are accepted in many hotels, restaurants, and shops. It should be noted that a surcharge is sometimes added when payment is made by credit card.

In most instances, tipping is not necessary. A 10-percent service charge is usually added to restaurant and hotel bills, eliminating the need for gratuities in such situations. It is, however, relatively common to leave the change when a bill is paid.

Taiwan has an extremely low-level of violent crime. Although normal precautions should be taken by visitors, the streets of Taipei and other cities are safe at any hour. While violent crime is rare, Taiwan's pickpockets and thieves are extremely clever, so valuables should be properly secured. Taxi drivers, restaurateurs, store clerks and other service people are normally quite honest and often solicitous of the needs of the

non-Chinese speaking foreign guest. The people of Taiwan are generally outgoing toward foreigners and often will go out of their way to assist visitors.

There are 10 holidays and three festivals in Taiwan. Dates for the three festivals—which include Chinese Lunar New Year Day, Dragon Boat Festival, and Mid-Autumn (Moon) Festival—change with the lunar calendar. Table 1 shows the list of the 10 holidays and 3 festivals in Taiwan.

**Table 1:
Holidays**

January 1	Founding Day
Late Jan. - Mid-Feb.	Spring Festival (Chinese New Year)
March	Youth Day
April	Women and Children's Day
April	Tomb Sweeping Day and President Chiang Day
Late May - Mid-June	Dragon Boat Festival
September	Mid-Autumn Festival
September 28	Confucius' Birthday
October 10	Double Ten National Day
October 25	Taiwan Retrocession Day
October 31	President Chiang Kai-Shek's Birthday
November 12	Dr. Sun Yat-Sen's Birthday
December 25	Constitution Day

Business Infrastructure

Taiwan has two international airports, Chiang Kai-Shek International and Kaohsiung International. Both offer regular flights to major destinations around the world. There are also several domestic airports and domestic airlines that provide fast and convenient connecting flights between Taiwan's larger cities, as well as outlying islands.

For travel within Taipei and various other major cities, taxi drivers are obliged to use the meter to calculate the fare. The basic charge is NTD 50 for the first 1.65 km, with an additional NTD 5 for every additional 350 metres. There is also an additional NTD 5 charge for every 3 minutes the

vehicle travels below a speed of 5 kilometres per hour. All taxis have a surcharge of NTD 10 for luggage service. Since most taxi drivers cannot speak English, the visitor should always carry Chinese-language versions of both his hotel name-card and desired destination.

Bus services in major cities are quite extensive, but can be incomprehensible to the foreign visitor. A comprehensive long distance bus system run by the Taiwan Auto-Transport Company and Tong-Lieng Bus Company enables people to travel virtually anywhere on the island quickly, comfortably, and at reasonable cost. The Taiwan Railway Administration operates an extensive rail network that is more than 1,000 km in length.

In general, Taiwan's telecommunications systems are efficient and convenient. Cities in Taiwan are plentifully supplied with blue public phones that can be used for both local calls and domestic long distance calls. Facsimile is widely used everywhere in Taiwan. Direct transmission is available to many countries in the world as well. Most major companies, hotels, and business service centres have facsimile and telex services. In addition, the International Telecommunications Administration (ITA) also has extensive video conference facilities in its Taipei Communications Building.

Taiwan has a large number of international- and domestic-standard hotels, hostels, and inns. For those who plan to stay in Taiwan on a long-term basis, a wide selection of apartments and houses is available. Rental costs vary considerably, depending on location and size. Typically, rents in Taipei and environs are far higher than those in other parts of the island. Landlords frequently require deposits of up to two months' rent, and tenants are usually responsible for utilities.

As in many other tropical and sub-tropical areas, tap water in Taiwan should be boiled before drinking. Hotels and restaurants do provide drinking water, and bottled mineral water is widely available. Visitors should also take special care to wash all fruits and vegetables before eating and avoid eating in any of the island's countless street stalls, at least during the first few weeks of their stay.

There are numerous international-standard private and public hospitals and clinics. Taiwan also offers

high quality dental care, with most clinics being privately operated. The majority of doctors and dentists in Taiwan speak English well.

Distribution and Sales Channels

Imported goods reach end-users through agents, distributors, franchisees, direct marketing, mail order and almost any other imaginable means. Distribution policy varies depending on the type of product and the end-user of the product, but all distribution channels are changing rapidly under the pressures of new demands from sophisticated Taiwan consumers, intensified competition from foreign and domestic rivals and the introduction of new information technologies to the distribution chain.

Taiwan end-users tend to make purchasing decisions based primarily on price—although ironically a higher price may be more attractive to the Taiwan buyer of certain kinds of consumer goods. A strong local presence, with a wholly-owned subsidiary, branch office, joint venture or agent/distributor is another key to success in the market.

Taiwan is a land of small businesses and traders who import from all over the world. The strength of Taiwan's economy is not in its few large firms—although Taiwan has grown a handful of firms whose presence is beginning to be felt in world markets—but in its many small-to-medium sized firms. There are over 975,000 registered businesses in Taiwan. The island has 97,000 legal factories and probably another 200,000 illegal factories. To sell to these firms, a foreign firm must find a local partner. Although it may be possible to supply a few types of high-specialized products directly from Canada, most Canadian firms will find it necessary to have some kind of local presence to market and service their products.

Finding a Partner

Finding a good local partner—be they an agent, distributor, licensee or joint venture partner—is essential. Partners will frequently give guidance on marketing channels, the number of which is bewildering. Consumer distribution in Taiwan is dominated by a vast number of small, independent retailers who are served by a network of wholesalers.

As the Taiwan market becomes more attractive to investors and consumers become more sophisticated, however, this simple system is breaking down. Larger chains with greater economies of scale are some of the new players on the scene changing the face of Taiwan's retail market.

Most firms enter the market with a Taiwan agent. Taiwan firms prefer the partnering aspect of an agent relationship. Although some firms are willing to act as distributors, there is a fear that firms seeking distributors are not serious about the market and will not support their distributor. Firms selling equipment or machinery frequently find it necessary to find a partner willing and able to do some assembly or manufacturing in Taiwan.

Although not necessarily a formal joint venture, these efforts require a higher degree of commitment to the market-place. If the size of the market warrants, firms may wish to consider setting up a branch office or subsidiary in Taiwan. Taiwan welcomes foreign investments and establishing an office in Taiwan is relatively easy, if sometimes bureaucratically cumbersome.

There are many ways to find an appropriate agent or distributor in Taiwan. The Taipei Importers and Exporters Association has over 100,000 members and is well equipped to help foreign exporters find an agent from among its members. Most Taiwan industry associations publish lists of their members.

Pricing Products

The most important consideration for most Taiwan buyers is initial price. The most common complaint against North American-produced goods is that their price is too high. Taiwan business people are notoriously short-term oriented and Canadian firms are frequently frustrated by the fact that most Taiwan firms do not consider the life-cycle cost of a product when making a purchase. Although attitudes are slowly changing, most Taiwan firms will only pay a higher price for a product if they see an immediate payoff in reduced costs. It is difficult to sell a product that is more expensive now, but which will be cheaper over two years—increase the payback time to four or five years and the sale becomes almost impossible.

Sales Service and Customer Support

After price, the next most important considerations are quality of the goods and after-sales service. Taiwan business people are active participants in the global market-place.

Advertising and Trade Promotion

Taiwan business people read trade journals from North America, Europe and Japan, participate in the major international trade events and are well aware of current trends in their industry. There are local trade shows for most major industries and CETRA is the co-organizer of many of these shows (usually in conjunction with the relevant industry association). A local partner can give the best advice on where and how to advertise, but participation in the major trade shows and advertisement in the relevant Taiwan trade journals and industry newspapers is important.

Selling to the Government

Selling to the Taiwan authorities deserves a special mention as there are both excellent opportunities and major obstacles for foreign firms interested in Taiwan authority procurement. Most large, technically complex tenders are let by the Central Trust of China (CTC), a quasi-statal organization that has procurement and other responsibilities. Agencies that need to purchase equipment inform CTC of their requirements, CTC announces and administers the tender procedures; any technical evaluations are performed by the purchasing entity or its surrogates. CTC tenders may be local (limited to firms with a Taiwan office or representative) or international (open to firms outside of Taiwan), but both kinds of tenders are generally conducted fairly and openly.

Regulatory Issues

Taiwan has made significant progress in reducing its tariff level on products. On June 23, 1995, the Legislative Yuan (LY) passed the long awaited tariff reduction bill sent on May 12, 1994 by the Executive Yuan (EY). This legislation calls for a reduction of import duties on a total of 758 industrial and agricultural products, by an average of 2.8 percent. The average nominal and effective tariff rates on affected commodities

ranging from farm products to industrial raw materials, and pharmaceutical products will be lowered from 8.89 percent and 4.99 percent to 8.64 percent and 4.69 percent respectively, saving exporters US\$96.2 million.

In addition to import duties, importers must also pay a 0.5 percent harbour construction fee and a 5 percent value-added tax.

Goods entering Taiwan by air freight or parcel post are exempt from harbour fees. A commodity tax ranging from 2-60 percent must be paid if an imported product falls into one of seven commodity categories including: rubber tires, cement, beverages, oil and gas, electric appliances, flat glass, and automotive products.

The tax is assessed on the C.I.F. and duty-paid value of affected imports.

Taiwan revised its Customs Law in July 1986 in order to implement procedures consistent with the "Agreement on Implementation of Article VII of the GATT". This article refers to the valuation of all imports for the assessment of duties. The Taiwan authorities have stated that upon its accession to WTO, it will fully adhere to the Customs Valuation Code.

The dutiable value of an import into Taiwan is defined as its cost, insurance, freight (C.I.F.) value. If customs officials consider an invoice's transaction value to be too low, they will value the item based on the actual transaction value.

EDC Financial Risk Assessment

The Export Development Corporation (EDC) helps Canadian companies compete in world

markets through the provision of financial and risk management services. These include export credit insurance, financing to foreign buyers of Canadian goods and services, and guarantees.

The following information was obtained from the EDC Country Risks and Opportunities book (fall, 1996).

These issues should be taken into consideration when assessing financial risk in Taiwan:

- To contain the fiscal deficit, which has been in the area of 7 percent of GDP, the government has decided to increase revenues by cracking down on tax evasion and by proceeding with privatization of some government assets.
- Economic policy will reflect the attempt to contain the budgetary deficit and Taiwan's desire to become an Asia Pacific Regional Operations Centre (APROC), but this would involve huge capital costs for infrastructure.
- GDP may be only 5.8 percent in 1996, the lowest level in six years. Dwindling private consumption and investment, as well as sagging stock market and high real estate prices, have been causing the slowdown in growth.
- The government is determined to revive economic growth to 6 percent by promoting new investments, taking measures to boost local manufacturing projects and providing incentives for foreign investment. A marginal slowdown is anticipated in 1997, due to the uncertainty surrounding the return of Hong Kong to mainland China.

CONTACTS

Canada Mortgage and Housing Corporation

Housing Export Centre

700 Montreal Road
Ottawa, ON K1A 0P7

Tel.: 1-800-465-6212 or
(613) 748-2000
Fax: (613) 748-2302

Canadian Government Departments and Services

Department of Foreign Affairs and
International Trade (DFAIT)

InfoCentre
Lester B. Pearson Building
125 Sussex Drive
Ottawa, ON K1A 0G2

Tel.: 1-800-267-8376 or
(613) 944-4000
Fax: (613) 996-9709
FaxLink: (613) 944-4500
InfoCentre Bulletin Board:
Tel.: 1-800-628-1581 or
(613) 944-1581

Canadian Trade Office in Taiwan

Asia and Pacific Trade Division
Korea and East Asia Division (PKE)
125 Sussex Drive
Ottawa, ON K1A 0G2

13th Floor
365 Fu Hsing North Road
Taipei, 10483, Taiwan

Tel.: (613) 996-7582
Fax: (613) 996-1248

Tel.: (011-886-2)
713-7268
Fax: (011-886-2)
712-7244

International Trade Centres

Newfoundland

International Trade Centre
P.O. Box 8950
Atlantic Place
215 Water Street
Suite 504
St. John's, NF A1B 3R9

Tel.: (709) 772-5511
Fax: (709) 772-5093

Prince Edward Island

International Trade Centre
P.O. Box 1115
Confederation Court Mall
134 Kent Street
Suite 400
Charlottetown, PE C1A 7M8

Tel.: (902) 566-7443
Fax: (902) 566-7450

Nova Scotia

International Trade Centre
P.O. Box 940, Station M
1801 Hollis Street
Halifax, NS B3J 2V9

Tel.: (902) 426-7540
Fax: (902) 426-5218

New Brunswick

International Trade Centre
1045 Main Street
Unit 103
Moncton, NB E1C 1H1

Tel.: (506) 851-6452
Fax: (506) 851-6429

Quebec

International Trade Centre
5 Place Ville-Marie
Seventh Floor
Montreal, PQ H3B 2G2

Tel.: (514) 283-6328
Fax: (514) 283-8794

Ontario

International Trade Centre
Dominion Public Building
1 Front St. West
Fourth Floor
Toronto, ON M5J 1A4

Tel.: (416) 973-5053
Fax: (416) 973-8161

Manitoba

International Trade Centre
P.O. Box 981
330 Portage Avenue
8th Floor
Winnipeg, MB R3G 2V2

Tel.: (204) 983-5851
Fax: (204) 983-3182

International Trade Centres (cont'd)

Saskatchewan	International Trade Centre The S.J. Cohen Building 119-4 th Avenue South Suite 401 Saskatoon, SK S7K 5X2	Tel.: (306) 975-5315 Fax: (306) 975-5334
Alberta <i>* Edmonton office is also responsible for Northwest Territories</i>	International Trade Centre Canada Place 9700 Jasper Avenue Room 540 Edmonton, AB T5J 4C3	Tel.: (403) 495-2944 Fax: (403) 495-4507
	510-5th Street S.W. Suite 1100 Calgary, AB T2P 3S2	Tel.: (403) 292-4575 Fax: (403) 292-4578
British Columbia <i>*Vancouver office is also responsible for the Yukon</i>	International Trade Centre 300 West Georgia Street Suite 2000 Vancouver, BC V6B 6E1	Tel.: (604) 666-0434 Fax: (604) 666-0954

Export Development Corporation (EDC)

Ottawa	151 O'Connor Street Ottawa, ON K1A 1K3	Tel.: (613) 598-2500 Fax: (613) 237-2690
Vancouver	One Bentall Centre 505 Burrard Street Suite 1030 Vancouver, BC V7X 1M5	Tel.: (604) 666-6234 Fax: (604) 666-7550
Calgary	510-5th Street S.W. Suite 1030 Calgary, AB T2P 3S2	Tel.: (403) 292-6898 Fax: (403) 292-6902
Winnipeg <i>*office also serves Saskatchewan</i>	330 Portage Avenue Eighth Floor Winnipeg, MB R3C 0C4	Tel.: (204) 983-5114 Fax: (204) 983-2187
Toronto	National Bank Building 150 York Street Suite 810 P.O. Box 810 Toronto, ON M5H 3S5	Tel.: (416) 973-6211 Fax: (416) 862-1267
London	Talbot Centre 148 Fullarton Street Suite 1512 London, ON N6A 5P3	Tel.: (519) 645-5828 Fax: (519) 645-5580
Montreal	Tour de la Bourse 800 Victoria Square Suite 4520 P.O. Box 124 Montreal, PQ H4Z 1C3	Tel.: (514) 283-3013 Fax: (514) 878-9891
Halifax	Purdy's Wharf, Tower 2 1969 Upper Water Street Suite 1410 Halifax, NS B3J 3R7	Tel.: (902) 429-0426 Fax: (902) 423-0881

Taiwan Representation in Canada

Taiwan does not have a Diplomatic or Consular Mission accredited to Canada. There are private-sector offices from Taiwan that promote trade and culture. The most prominent are the offices of the Taipei Economic and Cultural Office (TECO), in Ottawa, Toronto and Vancouver, and the Far East Trade Service Inc. (FETS) in Montreal.

Taipei Economic and Cultural Office, Canada	The World Exchange Plaza 45 O'Connor Street Suite 1960 Ottawa, ON K1P 1A4	Tel.: (613) 231-5080 Fax: (613) 231-7112
--	--	---

Multilateral Organizations

World Bank	Washington, DC 20433 U.S.A.	Tel.: (202) 477-1234 Fax: (202) 477-6391
Office for Liaison with International Financial Institutions	Canadian Embassy 501 Pennsylvania Avenue N.W. Washington, DC 20001	Tel.: (202) 682-7719 Fax: (202) 682-7726

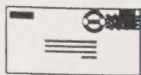
Business and Professional Organizations in Canada

Asia Pacific Foundation	666-999 Canada Place Vancouver, BC V6C 3E1	Tel.: (604) 684-5986 Fax: (604) 681-1370
Alliance of Manufacturers and Exporters Canada	99 Bank Street, Suite 250 Ottawa, ON K1P 6B9	Tel.: (613) 238-8888 Fax: (613) 563-9218

Canadian Banks in Taiwan

Bank of Montreal	131 Min Sheng East Road Suite 903 Taipei, Taiwan	
Canadian Imperial Bank of Commerce	10/F 117 Min Sheng East Road Section 3 Taipei, Taiwan	Tel.: (011-886-2) 719-2338
National Bank of Canada	8th Floor 117 Min Sheng East Road Section 3 Taipei Taiwan 105	
Royal Bank of Canada	12th Floor 109 Min Sheng East Road Section 3, PO Box 81-755 Taipei 10484, Taiwan	
The Toronto-Dominion Bank	13th Floor 363 Fu-Hsing North Road Taipei, Taiwan	

HOUSING EXPORT OPPORTUNITIES SERIES ORDER FORM




CMHC
P.O. Box 35005
Stn BRM B
Toronto, ON
M7Y 6E5



1-800-668-2642
Outside Canada call
1-613-748-2003



FAX TO
1-800-245-9274
 Outside Canada
1-613-748-2016

METHOD OF PAYMENT

Check only one (individuals must prepay all orders.)

Charge to VISA, American Express or MasterCard.

To avoid double billing,
please do not send
confirmation.

VISA, American Express,
and MasterCard.

To avoid double billing,
please do not send
confirmation. A fax will
be treated as an original order.

Please Print

Name		
Company or Organization	Position Title	
Address		
City	Province/State/Country	Postal/Zip Code
Telephone Number ()	Fax Number ()	

<input type="checkbox"/>	Please charge my	
	VISA <input type="checkbox"/>	American Express <input type="checkbox"/> MasterCard <input type="checkbox"/>
	Card Number	
	<div style="border-bottom: 1px solid black; height: 20px; width: 100%;"></div>	
	Expiry Date	
<div style="border-bottom: 1px solid black; height: 20px; width: 100%;"></div>		
<input type="checkbox"/>	Signature	
	<div style="border-bottom: 1px solid black; height: 40px; width: 100%;"></div>	
<input type="checkbox"/>	Payment enclosed \$ _____	
	Please make cheque or money order payable to CMHC	

To Complete See Example on Reverse Side

[illegible]

<p align="center">SOURCE (How did you hear about the product?)</p> <p>TV AD <input type="checkbox"/> <input type="checkbox"/> CATALOGUE</p> <p>NEWSPAPER <input type="checkbox"/> <input type="checkbox"/> FLYER/BROCHURE</p> <p>MAGAZINE <input type="checkbox"/> <input type="checkbox"/> OTHER</p>	Subtotal Column 3		A	<p align="center">Subtotal Column 5</p> <p>Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.</p> <p align="center">SEE EXAMPLE ON REVERSE</p>
	<p>SHIPPING CHOICE</p> <p>Regular Mail <input type="checkbox"/> Courier <input type="checkbox"/></p>	<p>ADD Shipping & Handling</p>	B	
	Subtotal (Add A + B)		C	
<p align="center">U.S. AND INTERNATIONAL ORDERS Please pay subtotal C in U.S. Funds (do not add GST or PST)</p>	Registration #100756428	<p>ADD GST (7% of subtotal C)</p>	D	
	Subtotal (Add C + D)		E	
	Quebec residents add PST (6.5% of Subtotal E)		F	
	Total (Add E + F)		G	

Shipping and Handling Charges

Points	Canada Regular Rates	Canada Courier Rates	U.S. Regular Air Rates	U.S. Courier Rates	International Regular Air Rates	International Courier Rates	Europe Courier Rates
1	2.55	5.00	5.00	11.00	7.00	24.00	19.00
2	3.65	8.00	6.50	14.00	9.00	30.00	25.00
3 to 5	5.80	11.07	8.11	30.75	12.18	63.75	47.75
6 to 10	6.18	11.07	12.46	34.75	20.61	88.75	55.75
11 to 20	6.43	12.35	18.08	42.75	38.77	118.75	71.75
21 to 40	6.94	14.90	23.81	58.75	64.65	193.75	103.75
41 to 60	7.44	17.62	29.48	74.75	68.12	253.75	129.75
61 to 80	7.95	20.51	35.15	90.75	117.36	313.75	149.75
81 to 100	8.45	23.35	40.92	106.75	146.60	373.75	169.75
101 to 120	8.96	26.20	46.59	120.75	166.71	433.75	189.75
121 to 140	9.46	29.05	52.31	134.75	184.72	493.75	209.75
141 to 160	9.97	31.90	58.00	148.75	207.45	553.75	229.75
161 to 180	10.47	34.75	63.71	162.75	228.92	613.75	249.75
181 to 200	10.98	35.60	69.38	176.75	250.29	658.75	269.75
201 to 220	11.48	40.45	75.05	190.75	N/A	718.75	289.75
221 to 240	11.99	43.30	80.72	204.75	N/A	778.75	309.75
241 to 260	12.49	46.15	86.49	218.75	N/A	838.75	329.75
261 to 280	13.00	49.00	92.21	232.75	N/A	901.75	349.75
281 to 300	13.50	51.85	97.88	246.75	N/A	958.75	369.75
Estimated Delivery times	2-3 weeks	5-10 days	2-3 weeks	5-10 days	4-8 weeks	12 days	12 days

Prices Subject to Change

CMHC Return Policy

We will replace damaged materials and correct shipping errors if we are notified within thirty days after you receive your shipment. If an item is not defective or not mistakenly shipped, then it must be returned by you at your cost within thirty days of receipt. It must arrive here in resaleable condition for you to receive credit.

International Note: Most international return shipments arrive damaged. If you received damaged items, contact CMHC at (613) 748-2969. Please do NOT return the damaged items unless we ask.

Example: To complete order form and determine shipping and handling charges

ORDER NUMBER	REPORT TITLE <small>Please be sure the order number and report title match the listing</small>	1 QTY	2 ITEM AMOUNT \$	3 TOTAL AMOUNT 1 x 2	4 SHIPPING POINTS	5 TOTAL SHIPPING POINTS 1 x 4
NHA 8003	Brasil	1	35.-	35.-	3	3
NHA 8009	Western Europe	2	23.-	46.-	3	6
					3	
					3	
SOURCE <small>(How did you hear about the product?)</small> TV AD <input type="checkbox"/> CATALOGUE NEWSPAPER <input type="checkbox"/> FLYER/BROCHURE MAGAZINE <input type="checkbox"/> OTHER		Subtotal Column 3		A 81.-	Subtotal Column 5 9	
		SHIPPING CHOICE Regular Mail <input checked="" type="checkbox"/> Courier <input type="checkbox"/>		B 6.18		
U.S. AND INTERNATIONAL ORDERS Please pay subtotal C in U.S. Funds (do not add GST or PST)		Subtotal (Add A + B)		C 87.18	Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.	
		Registration #100756428 ADD GST (7% of subtotal C)		D 6.10		
		Subtotal (Add C + D)		E 93.28		
		Quebec residents add PST (6.5% of Subtotal E)		F -		
		Total (Add E + F)		G 93.28		

CMHC's Housing Export Opportunities series contains up-to-date, relevant information on foreign housing markets for the Canadian Housing industry. Our country reports provide you with the market research and analysis you need to make the right business decisions about today's most dynamic offshore housing markets.

The country reports provide in-depth analysis of local housing needs and conditions, trade policy and business customs for each country. Also included is advice on risk assessment, cultural issues, establishing an office and distribution and sales channels. Each report has a comprehensive list of contacts, both in Canada and abroad for financial and industry information. Among our most sought after country reports are:

- China
- Chile
- South Korea
- Germany
- France
- Spain

Get CMHC's Housing Export Opportunities series and get ready to export. Prepare for a more profitable future. Order your country reports today by calling **1-800-668-2642**.

